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C O N F I D E N T I A L SECTION 01 OF 03 USUN NEW YORK 002283

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TAGS: [AORC](#) [UNGA](#) [KUNR](#)

SUBJECT: SCALE OF ASSESSMENTS: AGREEMENT REACHED ON SCALE
IN FAVOR OF U.S. INTERESTS, EUROPEAN UNION STILL REELING

REF: A. USUN 02184

[1](#)B. USUN 02208
[1](#)C. USUN 02217
[1](#)D. USUN 02227
[1](#)E. USUN 02262
[1](#)F. USUN 02244
[1](#)G. USUN 02272

Classified By: Classified By: Classified By: Amb. Mark D. Wallace; Reasons 1.4 (b) and (d).

[11.](#) (C) SUMMARY AND COMMENT: On December 20 and 21, the Fifth Committee reached agreement on a methodology for the scale of assessments for the biennium 2007-2009. The 22 per cent ceiling was preserved. The path to consensus at first seemed unattainable, as the European Union (EU) remained entrenched in its proposal of a six-year base period, subsequently they modified to five years, which ran counter to the expressed desires of all other delegations (U.S., Japan, Group of 77 and China, Russian Federation, Mexico, CANZ). The EU ultimately acquiesced to a 4.5 (NOTE: existing) year base period. The Coordinator said formal consultations on the draft resolution would take place on Friday, December 22. Once approved by the Committee, the resolution will move to the General Assembly for formal adoption. END SUMMARY AND COMMENT.

December 20 Informal Consultation

[12.](#) (C) On December 20, the Coordinator (Iran) began by noting there was no consensus on the most contentious issue, the base period. He asked Committee members to come to agreement on that issue so that other elements of the methodology could be resolved. All parties concurred with the Coordinator to start negotiations based on the scales methodology agreed upon in 2000, which included the current base period average of six and three years. Very quickly, however, Ambassador Gronberg of Finland (on behalf of the European Union) reiterated his delegation's firm position on a six-year base period (reftels).

[13.](#) (C) Ambassador Kumalo (South Africa) again called the EU proposal "self-serving," with a goal of lowering the contribution by the EU at the expense of the world's developing nations. Ambassador Shinyo (Japan) called the EU "stubborn and unyielding," attacking them for attempting to readjust an element that affected the most vulnerable. Wallace noted how the U.S. moved from its original proposal of a three-year base period in order to achieve consensus. He asked the EU to do the same. The Russian Federation delegate noted that the Committee on Contributions (COC) reported that whatever the base period was, it should be a multiple of three years, the time frame historically set for

each scale period. The EU proposal opposed all interventions.

¶4. (C) There was a short discussion on the low per-capita income adjustment (LPCIA), with the G-77 and Mexico offering alternatives, and Japan proposing a new machine scale based on a 75 per cent gradient rather than the current 80 per cent, but the discussion quickly moved to other issues. The G-77 again tried to bring the Committee around to discussing the ceiling, but Ambassador Wallace reiterated that the G-77's claims of non-payment of arrears were baseless because the U.S. had proof and confirmation in the form of EFT's, cover letters, etc. as confirmed by the Secretariat that its end of the bargain struck during the last scale negotiations in 2000 was met. (refs a, b, c, d, e). He noted any claim about late payments -- a point brought up again by the G-77 that evening -- was a new element, not an existing part of the scale or ceiling. If the G-77 sought to look at the issue of late payments, then it should do so for all late payers. On the G-77 proposal for phased-in scale increases, the EU, Mexico, and CANZ again voiced opposition to the G-77 proposal to phase in scale increases of 50 per cent or higher over a three year period.

¶5. (C) When the Coordinator moved the discussion back to the base period, the EU asked for time to talk the issue over amongst themselves. During an informal meeting chaired once again by the U.S. (ref g), the EU (Finland, UK, France, Germany), U.S. and Japan met to discuss the base period and scale. Ambassador Wallace told the EU the case had been lost long ago on trying to change LPCIA by moving to stepped gradients (ref g). He noted the outcome of the scale negotiations rested with achieving consensus on the base period. Until the EU joined consensus with others in

USUN NEW Y 00002283 002 OF 003

agreeing to maintain the current average of three and six years, there was no way to move ahead with other elements. The UK, led by DPR Pierce, disagreed on Ambassador Wallace's point on where negotiations were headed. She and UK management and budget section chief Wasim Mir believed that by pushing negotiations to the final minute, perhaps even up to December 31, the EU would prevail. Wallace explained that if the EU were to do so, they would still not achieve their objectives. Japanese DPR Shinyo agreed. Gronberg said that regardless of where negotiations led that night, EU members could not move forward on the issue until they had time to confer with their respective governments.

¶6. (C) As informal consultations continued, Ambassador Pierce, rather than Gronberg, spoke for the EU, noting that a complete rollover of the current methodology would "offer nothing for the EU." Seemingly playing into the G-77's hands, Pierce said the main issue was getting emerging economies to pay more to the Organization (reflets) to lessen the burden on the EU, which could be done via stepped gradients or a longer base period. Kumalo called Pierce on her blunder, saying that such language confirmed the EU's "true intentions." Gronberg once again noted the EU was the "largest contributor." He claimed that the EU paying nearly 40 percent during the next scale period was "not fair" and not reflective of capacity to pay, since the combined EU share of GNI fell far short of the percentage that was being assessed.

¶7. (C) The EU asked the Coordinator to consider bringing the General Assembly President and/or Secretary-General to help moderate the discussions since the Committee could not reach consensus. The G-77 declined the offer. Kumalo said the issue could still be resolved in the Committee. The Committee reconvened two hours later with agreement among parties that nothing could be done until the following day, after Gronberg said EU members needed to confer with capitals for guidance.

18. (C) Before the informal consultation began, Ambassador Kumalo pulled Ambassador Wallace aside and said he thought it was funny to see the EU in its current position. He said the G-77 used to claim it was the "EU of the future." But now, the EU was "more like the U.S. of the past," Kumalo said laughing. Ambassador Wallace reminded Ambassador Kumalo that the EU was asserting "it" was the largest contributor -- an unseemly assertion to the U.S., GOJ and G-77 alike. Also before consultations began, the U.S. confidentially worked with the Fifth Committee Secretary to prepare a chairman's text that adopted the current methodology (with the 22 per cent ceiling) and also importantly deleted references that arose in 2000 to payment of arrears/late payments. The Chair agreed to introduce such a text.

19. (C) Negotiations started with agreement by the U.S., Japan, Russian Federation, Mexico, CANZ, and G-77 to proceed using the Coordinator's text. Gronberg reminded the Committee that any attempt to push through the draft resolution as it currently stood, without something for the EU, would not enjoy EU support. He said even if the resolution was put to a vote in the General Assembly, the EU would not recognize it. Kumalo also attacked the EU for its unseemly assertion that it was the largest contributor as it was offensive to the G-77 as it implicitly diminished their contributions as well as large contributors like U.S. and GOJ. Kumalo also said the issue need not be handled through a vote, and could still be negotiated in the Fifth Committee.

The U.S., Japan and G-77 all noted how they had withdrawn several proposals to reach consensus. Kumalo noted the G-77 had agreed not to pursue raising the ceiling or phased-in scale increases in order to reach agreement on the scale. When the EU asked for time to review the Coordinator's text, Kumalo at first resisted, believing any attempt to do so would allow delegations to "find loopholes."

10. (C) The Committee resumed negotiations after a three-hour break. During the break, permanent representatives and deputy permanent representatives negotiated in varying configurations over the text. Once informal negotiations resumed, the Coordinator announced the EU had requested the addition of a new (face saving) paragraph as a compromise for joining consensus on the text. The new language requested that the COC "review the elements of the methodology of the scale of assessments in order to reflect member states' capacity to pay and report thereon to the General Assembly by the main part of its 63rd session." (NOTE: the Committee on

USUN NEW Y 00002283 003 OF 003

Contributions would undertake such a revision at such time regardless of this language.) The Coordinator and Committee Chair noted formal consultations on the issue would be held, December 21, before moving to the General Assembly for approval. The Committee agreed to the addition of the meaningless paragraph as a means of face saving for the EU.

COMMENT

11. (C) This year's round of scale negotiations were marked by EU disarray and a willingness among some remaining Members to accept the current scale methodology rather than engage in prolonged and contentious debate over possible modification of individual scale elements. Particularly noteworthy were USUN's role in mediating between the EU and Japan over the base period and U.S. alignment with the G-77, CANZ, Mexico and Japan against a fragmented EU to force a consensus agreement. Internal EU disagreements and the EU's failure to coordinate more closely early on with the U.S., the Japanese and CANZ undermined what otherwise could have been a successful unified effort to achieve a "stepped" gradient or purchasing power parity that would have committed the larger, fast-growing developing countries (China, Russia, India, Brazil) to invest more in UN activities. The U.S. narrowly

averted a concerted effort by the G-77 and the EU to increase the current 22 per cent ceiling, a red line that will be even more difficult to defend when the GA returns to consider the scale and "capacity to pay" in several years. In addition to preserving the 22 per cent ceiling, USUN also succeeded in eliminating language that appeared in resolution 55/5 C calling on the GA to review the status of contributions and arrears to determine whether measures were needed to remedy the situation, including possible adjustments of the ceiling.

While similar language was not included in this year's text, the issue of the ceiling, and U.S. capacity to pay more, will likely be the dominant theme in future scale discussions, especially given EU (particularly UK and French) anger and resentment (NOTE: that also seems to carry over from scale negotiations in 2000) over the outcome of this year's negotiations.

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